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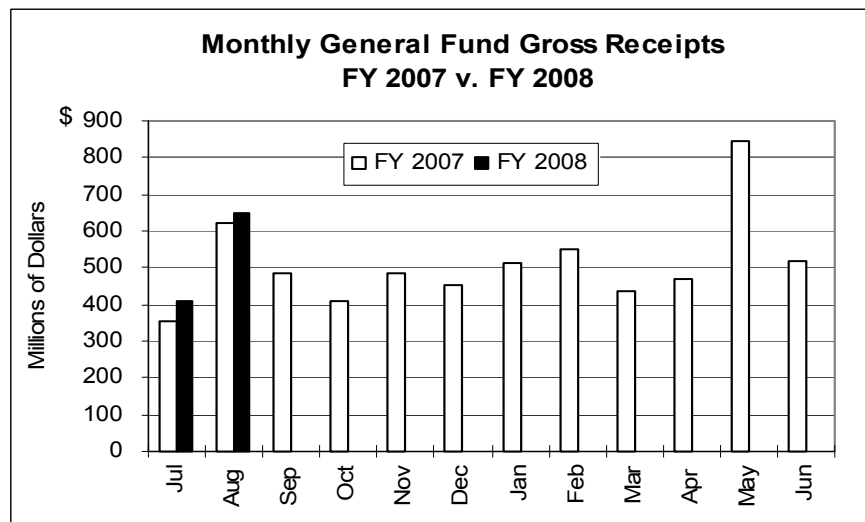
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: September 4, 2007

Monthly General Fund Receipts through August 31, 2007

The attached spreadsheet presents year-to-date FY 2008 General Fund receipts, with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.399 billion set by the Revenue Estimating Conference (REC) on April 6, 2007. The FY 2008 estimate is an increase of \$260.3 million (4.2%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting is scheduled for October 9, 2007.



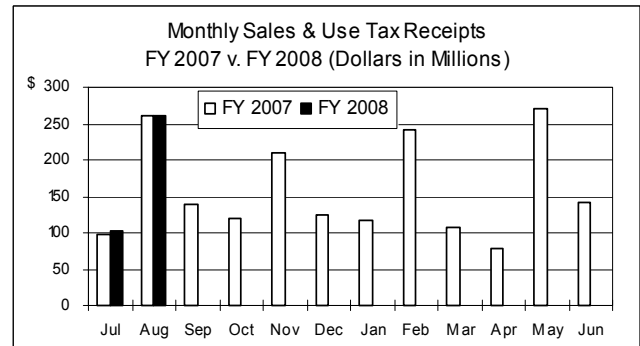
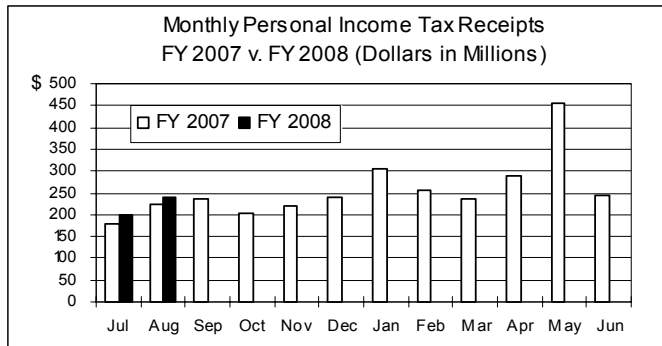
FY 2008 Compared to FY 2007

Fiscal year to date total gross cash receipts increased \$86.0 million (8.8%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal income tax (positive \$35.6 million, 8.8%)
- Sales/use tax (positive \$6.0 million, 1.7%)
- Corporate tax (positive \$13.9 million, 37.4%)
- Other taxes (positive \$24.9 million, 26.8%)
- Other receipts (positive \$5.5 million, 6.8%)

Personal income tax revenues received in August totaled \$241.8 million, an increase of \$16.7 million compared to August 2006.

The FY 2008 REC Income Tax estimate of \$3.175 billion represents a projected increase of 2.9% compared to actual FY 2007. For August, total Income Tax receipts increased 7.4%. By subcategory, withholding payments increased 8.5%, estimate payments decreased 4.7%, and payments with returns decreased 29.1%. The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



Sales/use tax receipts received in August totaled \$260.7 million, a decrease of \$700,000 (- 0.3%) compared to August 2006.

The REC estimate for FY 2008 Sales/Use Tax receipts is \$1.962 billion, an increase of 2.7% compared to actual FY 2007. Through August 31, FY 2008 Sales/Use Tax receipts have increased 1.7% compared to the same period a year ago. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

Corporate tax receipts received in August totaled \$13.9 million, a \$2.7 million decrease (- 16.3%) compared to August 2006.

The REC estimate for FY 2008 Corporate Tax revenue is \$428.6 million, an increase of 0.9% compared to actual FY 2007. Despite the monthly decrease in corporate tax receipts in August, the year-to-date increase in corporate tax was \$13.9 million (37.4%). Overall, corporate tax receipts have shown strong growth since February 2003.

Other tax receipts received in August totaled \$85.9 million, a \$13.2 million increase compared to August 2006. Cigarette and Tobacco taxes continue to contribute significantly to increasing other tax receipts due to the mid-March Cigarette and Tobacco Tax rate change. The REC estimate for FY 2008 receipts from other taxes is \$494.3 million, an increase of 35.8% compared to actual FY 2007. For August, other tax receipts increased 18.2%. August Insurance Premium Tax receipts decreased \$5.4 million (- 9.6%) as the final stage of the tax rate phase-down is implemented.

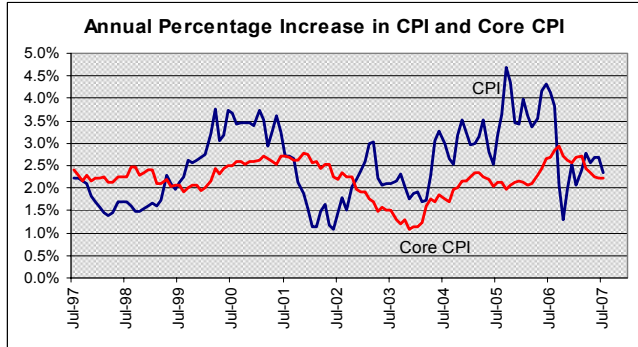
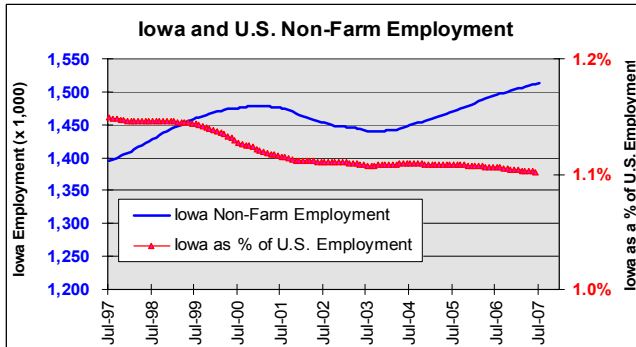
Other receipts (non-tax receipts) received in August totaled \$47.0 million, a \$2.7 million (6.1%) increase compared to August 2006. Racing and Gaming receipts and liquor profits accounted for much of the growth for the month.

The REC estimate for FY 2008 other receipt revenue is \$338.5 million, a decrease of 4.3% compared to actual FY 2007. Through August, other receipts increased 6.8%.

Status of the Economy

Iowa non-farm employment was reported at 1,509,900 for the month of July (not seasonally adjusted), 17,400 higher (1.2%) than July 2006.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,513,500, so annualized Iowa non-farm employment is 34,800 above its 2001 peak and 73,500 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002, but the trend remains negative.



Consumer prices did not change significantly (0.0%) during the month of July (not seasonally adjusted). The Consumer Price Index (CPI-U) through July 2007 was 208.299 (1983/84=100), 2.4% higher than one year ago. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.1% for July and the year-over-year change was 2.2%. The core inflation rate declined considerably from the early 1990's through March 2004. From March 2004 through September 2006, inflation as measured by core CPI more than doubled, peaking at 2.9%, and has held at 2.2% for the past three months.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	August % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 404.2	\$ 439.8	8.8%	7.4%	\$ 3,085.9	\$ 3,175.4	2.9%
Sales/Use Tax	358.3	364.3	1.7%	-0.3%	1,910.1	1,961.7	2.7%
Corporate Income Tax	37.2	51.1	37.4%	-16.3%	424.6	428.6	0.9%
Inheritance Tax	11.9	13.5	13.4%	8.3%	76.0	81.2	6.8%
Insurance Premium Tax	58.0	52.1	-10.2%	-9.6%	105.2	124.0	17.9%
Cigarette Tax	16.3	42.7	162.0%	160.4%	122.0	219.7	80.1%
Tobacco Tax	1.6	3.8	137.5%	183.3%	12.1	15.4	27.3%
Beer Tax	2.7	2.8	3.7%	16.7%	14.3	14.3	0.0%
Franchise Tax	2.4	2.8	16.7%	0.0%	33.3	38.7	16.2%
Miscellaneous Tax	0.0	0.1	0.0%	107.7%	1.0	1.0	0.0%
Total Special Taxes	\$ 892.6	\$ 972.9	9.0%	4.6%	\$ 5,784.5	\$ 6,060.0	4.8%
Institutional Payments	2.1	2.3	9.5%	36.4%	12.9	12.6	-2.3%
Liquor Profits	8.8	9.9	12.5%	18.3%	64.8	67.8	4.6%
Interest	3.9	3.6	-7.7%	-63.6%	28.7	29.0	1.0%
Fees	14.7	15.6	6.1%	1.5%	84.7	62.9	-25.7%
Judicial Revenue	9.9	10.3	4.0%	-36.8%	66.9	67.9	1.5%
Miscellaneous Receipts	4.9	5.7	16.3%	11.5%	35.7	38.3	7.3%
Racing and Gaming Receipts	36.9	39.3	6.5%	8.8%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 973.7	\$ 1,059.7	8.8%	4.7%	\$ 6,138.2	\$ 6,398.5	4.2%